

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

REVIEW REPORT
OF
INDIANA VETERANS' HOME
STATE OF INDIANA
July 1, 2006 to July 31, 2008



FILED
02/06/2009

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AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Commissioner, Indiana State Department of Health	Judith Monroe, M.D.	03-07-05 to 06-30-08
Executive Director, Indiana Department of Veterans Affairs	Charles T. Applegate	07-01-08 to 01-13-13
Superintendent	Robert Hawkins Jerome H. Horn Rodney Dunn (Interim) Antonio Stewart	07-16-95 to 11-30-06 12-01-06 to 09-09-08 09-10-08 to 11-30-08 12-01-08 to 06-30-09



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE INDIANA VETERANS' HOME

We have reviewed the receipts, disbursements, and assets of the Indiana Veterans' Home for the period of July 1, 2006, to July 31, 2008. The Indiana Veterans' Home's management is responsible for the receipts, disbursements, and assets.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the receipts, disbursements, and assets. Accordingly, we do not express such an opinion.

Financial transactions of this office are included in the scope of our audits of the State of Indiana as reflected in the Indiana Comprehensive Annual Financial Reports.

Based on our review, nothing came to our attention that caused us to believe that the receipts, disbursements, and assets of the Indiana Veterans' Home are not in all material respects in conformity with the criteria set forth in the Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, and applicable laws and regulations, except as stated in the review comments.

STATE BOARD OF ACCOUNTS

October 7, 2008

INDIANA VETERANS' HOME
REVIEW COMMENTS
JULY 31, 2008

CHANGE IN OVERSIGHT

As of July 1, 2008, the Indiana Veterans' Home (IVH) was no longer an Indiana State Department of Health institution. The Indiana Department of Veterans Affairs became the oversight agency. This was codified by Public Law 21-2008, Section 5, which provides that the Director of the Indiana Department of Veterans Affairs (Director) shall appoint the Superintendent of the IVH, the Superintendent may be removed only by the Director, the Superintendent is administratively responsible to the Director, and the Director shall determine the Superintendent's salary, subject to the approval of the Governor and the State Budget Agency.

COMFORT AND WELFARE FUND

No Authority For Escrow Account

The Indiana Veterans' Home (IVH) Comfort and Welfare (C&W) Fund is used to account for the maintenance costs of residents. Upon admission to the IVH, residents agreed to apply their social security and other retirement checks towards their maintenance charge. The IVH deposits resident payments into a local depository entitled 'IVH Escrow (Escrow) Checking Account', an account which is outside the Auditor of State's accounting system.

Although some of the funds initially deposited into the Escrow account are subsequently allocated as resident Trust funds, we determined that over 90% of the monies deposited into the Escrow account were C&W funds. We found no statutory authority for the IVH to maintain the C&W Fund outside the Auditor of State system.

No funds may be accounted for outside the Auditor of State system without specific statutory authority. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 13)

Each agency, department, quasi, institution or office should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of managements' objectives, and compliance with laws and regulations. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 1)

Escrow Interest Income

The Escrow account is an interest bearing account. On a yearly basis, the Indiana Veterans' Home (IVH) transferred the interest earned from that account into the IVH Recreation (Rec) Fund. This type of transaction is not appropriate if the interest is earned on State funds.

As we determined that 90% of the Escrow funds are considered State funds, then 90 % percentage of Escrow interest earned should be transferred to the State. For the period of January 1, 2008 through June 30, 2008, the Escrow account accrued interest of \$2,550.25 which had not yet been transferred to the Rec Fund.

Therefore, \$2,295.23 of interest earned for that period should be deposited as miscellaneous revenue into the IVH operating fund/center. Until the local Escrow account is included within the Auditor of State system, 90% of all subsequent months of earned Escrow interest should also be transferred timely into the IVH operating fund/center.

INDIANA VETERANS' HOME
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(Continued)

IC 5-13-9-6(a) states: "All interest derived from an investment by a political subdivision or by any other local public officer under the authority granted by section 3 of this chapter shall be deposited, except as otherwise provided by law, in the general fund of the investment authority or in any other fund its governing body designates specifically or by rule, subject to the modifications and limitations in this section."

Disposition of Inactive Resident Accounts

In our review of the Comfort and Welfare funds, we noted that the Indiana Veterans' Home (IVH) had numerous inactive accounts receivable of discharged and deceased residents which all contained balances due the IVH for maintenance charges. Some of these former residents also had balances in their Trust accounts. We were provided a listing of 135 residents meeting these criteria.

The IVH is in the process of adopting new policies and procedures to process the disposition of these inactive accounts in a timely manner. The IVH Maintenance Collection Policy dated September 20, 2006, is now obsolete and should be updated with comprehensive close-out procedures of former resident balances in both their maintenance and/or Trust accounts.

Each agency, department, quasi, institution or office also has the responsibility to comply with their own internal policies and guidelines. These internal policies and guidelines cannot conflict with state or federal laws, state policies or procedures (including those in this manual) or other policies established by Department of Administration, Department of Personnel, or through the Financial Management Circulars. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 1)

Building Fund Revenue

The Indiana Veterans' Home (IVH) is required to set aside a portion of the federal revenue received from the United States Department of Veterans Affairs for upkeep of the facility infrastructure. Twenty percent of the federal Comfort and Welfare deposits should be transferred to the IVH Building Fund for future capital expenditures.

As of September 30, 2008, we found that for fiscal year ending June 30, 2008, the IVH transferred only \$1,390.79 to the Building Fund. An additional \$927,234.96 should be transferred to be in compliance with state law.

IC 10-17-9-16(b) states in part, that: "Twenty percent (20%) of the money annually allowed by the government of the United States for a military veteran maintained in the home shall be deposited in the state general fund to the credit of the veterans' home building fund."

Each agency, department, quasi, institution or office is responsible for compliance with applicable statutes, regulations, contract provisions, state policies, and federal requirements. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 1)

Untimely Transfer of Comfort and Welfare Receipts

Comfort and Welfare receipts of the Indiana Veterans' Home (IVH) are initially deposited into the IVH Escrow bank account and subsequently transferred and deposited with the Treasurer of State and recorded into an IVH fund center at the Auditor of State.

INDIANA VETERANS' HOME
REVIEW COMMENTS
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(Continued)

We found that it sometimes took over seven weeks for the Comfort and Welfare receipts to be deposited with the Treasurer of State and recorded with the Auditor of State.

A delay in the deposit of revenue with the Treasurer of State results in a loss of interest revenue to the State and increases the possibility that funds could be misplaced or stolen.

Each agency, department, quasi, institution or office should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of managements' objectives, and compliance with laws and regulations. Among other things, safeguarding controls over cash is part of an internal control system. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 1)

TRUST FUND

Interest Allocations

Effective February 2000, a federal regulation mandated that interest earned on the Indiana Veterans' Home (IVH) resident Trust Funds in excess of \$100 should be credited to residents' individual Trust accounts. The IVH had deposited Trust Fund interest earned into the Recreation Fund from February 2000 through September 2007. The IVH subsequently determined that \$358,926.96 in accrued Trust Fund interest was to be withdrawn from the Recreation Fund and credited to all residents' Trust accounts who had Trust Fund monthly ending balances during this seven year period.

In October 2007, the IVH credited a total of \$120,852.76 to the Trust accounts with current, active, in-house status. As of October 7, 2008, the remaining \$238,074.20 had not been credited to those accounts whose status were other than current, active, in-house and remains in the Recreation Fund in an interest bearing savings account. Interest earned on the \$238,074.20 while in the Recreation Fund savings account should also be credited to those accounts.

The IVH also did not properly allocate Trust Fund interest earned to residents' individual Trust accounts for the period October 2007 through September 2008. The IVH calculated that it misallocated a total of \$12,723.65 in interest earned to those accounts with a status of current, active, in-house, resulting in an overpayment to these accounts. Trust accounts with a status of other than current, active, in-house which still had an account balance, did not receive any interest allocations and were still due a total of \$12,723.65. The IVH subsequently credited the accounts that did not receive the interest with funds from the Recreation Fund. Furthermore, we found at least one Trust account with a status of current, active, in-house that was not credited for any interest earned during this period.

38 CFR 51.70 states: "the facility management must deposit any residents' personal funds in excess of \$100 in an interest bearing account (or accounts) that is separate from any of the facility's operating accounts, and that credits all interest earned on resident's funds to that account. The facility management must maintain a resident's personal funds that do not exceed \$100 in a non-interest bearing account, interest-bearing account, or petty cash fund."

Every governmental unit is required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies. This includes opinions of the Attorney General of the State of Indiana and court decisions. Governmental units should file accurate reports required by federal and

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state agencies. Noncompliance with these requirements may require corrective action by the governmental unit and follow up by a federal or state agency. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 1)

Institutions should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Controls over recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and monthly reports, and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 13)

Outstanding Checks

During our review of the Trust Fund at the Indiana Veterans' Home, we found that the June 2008 outstanding checks list contained 10 checks totaling \$436.17, dating back to September 13, 2005, which had been outstanding for more than one year after issued.

IC 32-34-1-20, 32-34-1-26, and 32-34-1-27 provide that Trust Fund checks which have been issued and are outstanding for one year after they were written are presumed to be abandoned and are to be remitted to the Attorney General's Office as unclaimed property.

Financial Statements

The Indiana Veterans' Home did not properly complete the monthly financial statements for the Trust Fund. The year to date receipts amount on the Statement of Changes in Fund Balance on page one of the statement did not agree with the year to date Detail of Receipts on page two of the statement. On the monthly financial statement for the month ended June 30, 2008, the year to date amount per the Statement of Changes in Fund Balance was \$1,470,645.24 and the year to date amount per the Detail of Receipts was \$1,473,829.08, resulting in a difference of \$3,183.84.

Institutions should have internal controls in effect which provide reasonable assurance regarding reliability of financial information and records. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 13)

Cash on Hand

The Indiana Veteran's Home (IVH) Trust Department maintains \$25,000 cash on hand. IVH policy number A031005 revised August 16, 2006, states: "Sufficient Trust Funds in cash will be maintained in the Trust Department to provide for daily distribution of cash to Residents." We determined that during the last two years, the daily cash requirement of the Trust Fund averaged approximately \$1,000. We also found that checks from the Recreation Fund and Canteen Fund were written to the Trust Fund and cashed at the Trust Department instead of taken to the bank to replenish the Recreation and Canteen petty cash funds which further impacts the Trust Fund cash requirement. Given the daily Trust Fund activity, the \$25,000 cash on hand is too large. The excess amount would be better safeguarded and additional interest could be earned if maintained in a local depository.

Institutions should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, safeguarding controls over cash are part of the internal control system. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 13)

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(Continued)

Each agency, department, quasi, institution or office also has the responsibility to comply with their own internal policies and guidelines. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 1)

Petty cash should be replenished as necessary. When needed, a check should be made payable in the name of the person going to the bank. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 13)

Internal Controls Over Disbursements

The Indiana Veterans' Home (IVH) Trust Department allowed four residents to withdraw funds in excess of their Trust account balances. These negative balances did not result from a timing difference where maintenance checks were deposited into the bank but had not yet been credited to the appropriate resident account. The respective residents subsequently deposited funds into their accounts to cover the shortages.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and monthly reports, and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 13)

Institutions should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 13)

RECREATION FUND

Restricted Funds

The Indiana Veterans' Home (IVH) did not maintain adequate accounting records and monthly financial statements for the Recreation Fund for monies that were restricted for specific purposes. We found that as of July 31, 2008, \$30,000 was restricted for resident bowling activities. The IVH did not maintain a ledger for the bowling fund and consequently had estimated the \$30,000 balance. We also noted that as of July 31, 2008, the IVH held \$238,074.20 in accrued Trust Fund interest due to residents in the Recreation Fund savings account which was not listed as a restricted asset on the Recreation Fund financial statement.

A complete record of all receipts and disbursements must be maintained in a Recreation Fund ledger. Subsidiary accounts for specific sources and/or uses of funds may be established for ease of accountability. If subsidiary accounts are maintained, transactions should be detailed to show the transaction date, type of transaction, check or receipt number, amount of transaction, and resulting balance on hand. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 13)

Institutions should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, all forms of information processing are part of the internal control system. Controls over the accounting for

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the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and monthly reports, and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 13)

DONATED FUNDS ACCOUNT

Checks Deposited With the Treasurer of State

The Indiana Veterans' Home did not deposit all donated funds into the local depository selected by the Treasurer of State (TOS). While cash donations were deposited into the local depository account, donations in the form of a check were sent to the TOS via the United States Postal Service. The checks sent to the TOS were deposited up to 61 days late.

A delay in the deposit of revenue with the Treasurer of State results in a loss of interest revenue and increases the possibility that funds could be misplaced or stolen.

The Treasurer of State has established bank accounts for which agencies may directly deposit monies to the Treasurer of State. For agencies which deposit monies into a branch office of the depositories selected by the Treasurer, a receipt of deposit issued by the bank and a copy of the deposit slip are to be attached to the report of collections and forwarded to the Treasurer of State not later than the next business day following receipt of funds. This facilitates compliance with the daily deposit statute as well as safeguarding revenue. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 3)

IC 5-13-6-1(b) states in part: ". . . all public funds . . . shall be deposited with the treasurer of state, or an approved depository selected by the treasurer of state not later than the business day following the receipt of the funds."

Internal Controls Over Opening Mail

During our testing of donated funds at the Indiana Veterans' Home, we learned that the mail was opened by one employee without the direct observation of another employee.

When mail is opened by one employee without the direct observation from another employee, the possibility that funds may be misplaced or stolen increases.

Controls over the receipting, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements, and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 1)

Donated Funds Policy

The Indiana Veterans' Home (IVH) maintains a general donated funds fund/center on the Auditor of State's accounting system. Donations earmarked for a specific purpose are tracked by IVH maintained subaccounts, one of which is for the bowling donations. According to the IVH Donated Funds Policy

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A8101606: "All donations will be deposited and tracked using a state account titled 'General Donated Funds.'" We found that the IVH was not in compliance with this policy since a portion of the bowling donations was maintained in the Recreation Fund in a local depository outside of the Auditor of State accounting system.

Each agency, department, quasi, institution, or office also has the responsibility to comply with their own internal policies and guidelines. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 1)

Institutions should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 13)

SPECIAL DISBURSEMENT OFFICER (SDO)

Untimely Advance Reconciliations

The Indiana Veterans' Home (IVH) had not performed monthly reconciliations of its Operating, Preventative Maintenance, Donated Funds, and Comfort and Welfare Special Disbursing Officer (SDO) advances in a timely manner. Our review of the reconciliations revealed that the IVH prepared the reconciliations up to 20 months late.

Two reconciliations must be performed for the SDO Fund each month. The bank statement for the checking account must be reconciled to the check register. Also, the check register must be balanced to the total SDO advance. These reconciliations must be formally documented. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 7)

Improper Reconciliations

The Indiana Veterans' Home (IVH) had not properly prepared the bank and SDO reconciliations for its Operating and Comfort and Welfare Special Disbursing Officer (SDO) advances. The IVH's accounting records for the Operating and Comfort and Welfare SDO advances did not reconcile with the respective bank statements. The IVH used the amount per the bank statement instead of the amount per the check register. For the Operating SDO advance reconciliation, we found that as of June 30, 2008, the balance per the control ledger was \$30,573.27 while the balance per the bank reconciliation was \$29,750.00, resulting in a difference of \$823.27. For the Comfort and Welfare SDO advance reconciliation, we found that as of June 30, 2008, the balance per the control ledger was (\$1,253.35) while the balance per the bank reconciliation was \$23,954.27, resulting in a difference of \$25,207.62.

Each agency is responsible for maintaining an effective and accurate accounting system for subsidiary and supplementary records. At all times, the agency's manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank or Auditor's balance should agree. If reconciled bank or Auditor's balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 1)

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Overage

The Comfort and Welfare Special Disbursement Officer (SDO) Fund at the Indiana Veterans' Home is maintained in an interest bearing checking account. The interest earned had not been transferred from the checking account and deposited as miscellaneous revenue with the Treasurer of State since September 2006. This result is a \$169.15 overage in the fund.

If the SDO fund is in an interest bearing account, any interest earned is to be deposited as miscellaneous revenue in a general fund fund/center. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 7)

Reconciliation Approvals

Our review of the SDO reconciliations at the Indiana Veterans' Home revealed that the reviews and approvals of the monthly SDO reconciliations were not formally documented on a consistent basis.

The reconciliation of the SDO advance must be formally documented at least monthly. The best control is provided when the reconciliation is prepared or reviewed by staff independent of the functions of preparing checks or maintaining the check register. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 7)

Amounts Advanced

The Preventative Maintenance and Donated Funds Special Disbursing Officer Fund (SDO) advances at the Indiana Veterans' Home were not turned over, or reimbursed completely, for several months during the review period.

If the SDO advance is not used within one or two months, then the SDO advance is too large and should be reduced. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 7)

BOND COVERAGE

The Indiana Veterans' Home did not have bond coverage in effect as required by IC 10-17-9-18.

IC 10-17-9-18 states: "The superintendent shall furnish an individual public official bond in an amount determined by the director [of the Indiana Department of Veterans Affairs], payable to the state and conditioned upon the faithful performance of the superintendent's duties."

RESTRICTIVE ENDORSEMENTS

The Indiana Veterans' Home did not restrictively endorse checks received for the Recreation and Donated Funds immediately upon receipt when opening the mail. The checks were not restrictively endorsed until the Business Office prepared the deposit.

When checks are not restrictively endorsed immediately upon receipt, the possibility that funds may be misplaced or stolen increases.

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Checks should be restrictively endorsed with an endorsement stamp, immediately upon receipt. This should occur upon opening the mail or otherwise receiving the instrument. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 3)

UNIDENTIFIED CASH FUND

The Indiana Veterans' Home (IVH) maintains a \$3,000 cash fund for purposes of a staff member to purchase goods outside the IVH campus on behalf of residents. The residents reimburse the fund for the goods and services, thus, replenishing the \$3,000 fund. The IVH does not account for the \$3,000 cash fund through any of its funds and the staff does not know the origin of the \$3,000. The IVH does not have statutory authority to maintain this fund outside of the Auditor of State accounting system or outside of their local funds.

No funds may be accounted for outside of the Auditor of State system without specific statutory authority. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 13)

Institutions should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 13)

SUPPLEMENTATION OF APPROPRIATIONS

We found that the Indiana Veterans' Home (IVH) deposited \$1,136.61 in refunds for previous fiscal year expenditures as current year refunds. By recording these as refunds of current year expenditures, the IVH supplemented its State appropriations by the amount deposited.

A refund of expenditure can only be used if the original disbursement and the refund or collection are within the same fiscal year. If the collection is not received within the same fiscal year as the related expenditure, then the collection must be recorded as miscellaneous revenue. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 3)

DAILY DEPOSITS

The Indiana Veterans' Home did not consistently deposit Recreation Fund, Canteen Fund, and meal tickets receipts within the following business day.

When receipts are not deposited timely, the possibility that funds may be misplaced or stolen increases.

IC 5-13-6-1(b) states in part: ". . . all public funds . . . shall be deposited with the treasurer of state, or an approved depository selected by the treasurer of state not later than the business day following the receipt of the funds."

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MEAL TICKET REMITTANCES

The Indiana Veteran's Home allows staff and visitors to purchase tickets for meals prepared at the facility. These monies are deposited in an outside bank account and then remitted to the Treasurer of State (TOS) as miscellaneous revenue. However, meal ticket monies have not been remitted to the TOS in a timely manner. Meal ticket deposits into the local depository totaling \$11,520.00 for the period November 2007 through July 2008, had not been forwarded to the TOS as of July 31, 2008.

A delay in the deposit of revenue with the Treasurer of State results in a loss of interest revenue to the state and increases the possibility that funds could be misplaced or stolen.

Agencies located outside of the downtown Indianapolis area may be using bank accounts other than those of the Treasurer as a temporary depository. This facilitates compliance with the daily deposit statute as well as safeguarding revenue. Agencies using such accounts shall submit, at least monthly, a properly completed report of collections together with a check made payable to the Treasurer of State. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 3)

TIME CARDS

During our review of employee time cards at the Indiana Veterans' Home, we observed that the employee time cards were frequently signed and dated prior to the employees' last day worked.

Employee attendance reports should not be signed, dated, or approved prior to the last day worked in a pay period. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 9)

FIXED ASSET INVENTORY

As stated in our prior two reports B19170 and B27893, the fixed asset inventory of the Indiana Veterans' Home (IVH) is not current. The capital assets list maintained on the Auditor of State (AOS) system contained three extraneous vehicles that were previously retired. The internal fixed assets list maintained by the IVH and/or the AOS list did not contain five vehicles which belong to the IVH.

Each state agency is to report to the Auditor of State any additions (purchases), retirements or changes (traded-in, surplus, transferred, etc.) each quarter. Agencies are responsible for maintaining a manual or automated asset control system for all assets costing more than \$500. The agencies should also include the assets costing more than \$20,000 in their own asset control systems in addition to reporting them to the Auditor of State. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 10)

INDIANA VETERANS' HOME
EXIT CONFERENCE

The contents of this report were discussed on December 22, 2008, with Antonio Stewart, Superintendent; Tammy Metzinger, Controller; and Julia Holloway, Director of Health Care Services, Indiana Department of Veterans Affairs. The official response has been made a part of this report and may be found on pages 15 through 20.

A copy of the review comments was mailed to Robert Hawkins, former Superintendent, on December 23, 2008.

A copy of the review comments was mailed to Jerome H. Horn, former Superintendent, on December 23, 2008. The official response has been made a part of this report and may be found on pages 21 through 29.

A copy of the review comments was mailed to Judith Monroe, M.D., Commissioner, Indiana State Department of Health, on December 30, 2008. The official response has been made a part of this report and may be found on page 30.



STATE OF INDIANA

MITCHELL E. DANIELS, JR., Governor

INDIANA VETERANS' HOME

3851 N. River Road
West Lafayette, IN 47906
Telephone: (765) 463-1502

January 21, 2009

Dear State Examiner:

Enclosed you will find the Indiana Veterans' Home's response to the State Board of Accounts' Review Comments.

If you have any questions, please contact me via email at tostewart@ivh.in.gov or by phone at (765) 497-8501. You may also contact Julia Holloway (jholloway@dva.IN.gov) or Tammy Metzinger (tmetzinger@ivh.in.gov).

Sincerely,

A handwritten signature in cursive script that reads "Antonio Stewart".

Antonio Stewart

Cc: Julia Cunningham Holloway, Tammy Metzinger

January 20, 2009

DEAR STATE EXAMINER:

**Indiana Veterans' Home
Response to SBOA's Review Comments**

COMFORT AND WELFARE FUND

No Authority for Escrow Account

The Indiana Veterans' Home (IVH) will establish a sweep account for the escrow account.

Escrow Interest Income

The IVH transferred \$2,295.23 of the \$2,550.25 of interest earned from January 1, 2008 to June 30, 2008 from the Escrow account to the IVH Operating Fund/Center on December 31, 2008; the remaining balance was transferred to the Recreation account on December 31, 2008.

The IVH will transfer 90% of the interest earned on the Escrow account to IVH Operating Fund/Center. The IVH will transfer 10% of the interest earned on the Escrow account to the IVH's Recreation Fund. This will occur on a quarterly basis (April, July, October, and January.)

Disposition of Inactive Residents' Accounts

The IVH did a Final Accounting of Inactive Residents' Accounts in October 2008. After this Final Accounting, the IVH turned the debt of Inactive Residents' Accounts deemed uncollectible totaling \$5,161,464 over to the Indiana Office of the Attorney General on October 22, 2008.

In addition, the IVH turned the debt of Inactive Residents' Accounts deemed collectible totaling \$373,771 over to the Indiana Office of the Attorney General on October 22, 2008.

The IVH is in the process of adopting new policies, procedures, and standard operating procedures regarding the disposition of inactive accounts. This will be completed by June 30, 2009.

Building Fund Revenue

Beginning with the fiscal year ending 2009 and subsequent years, the IVH will transfer 10% of the \$927,234.96 into the Building Fund until the fiscal year 2008's \$927,234.96 is paid in full.

The IVH is in the process of adopting new policies, procedures, and standard operating procedures regarding the reclassification of the "Twenty percent." This will be completed by June 30, 2009.

Untimely Transfer of Comfort and Welfare Receipts

The IVH is in the process of adopting new policies, procedures, and standard operating procedures regarding the recording of receipts. The IVH had training with Achieve in January 2009 to better utilize the accounting software used in the Trust Department. The IVH will also perform process mapping to better utilize its resources. This will be completed by June 30, 2009.

TRUST FUND

Interest Allocations

On October 7, 2008, the IVH transferred from Recreation \$247,013.51 to be credited to the Trust accounts of whose who status was other than current, active, and in-house. The \$247,013.51 consisted of the original \$238,074.20 plus earned interest totaling \$8,939.31. Check number 27108.

The IVH will transfer \$12,723.65 from the Operating Fund Center to reimburse Recreation for the interest. This transfer will occur before June 30, 2009.

Outstanding Checks

The outstanding checks were voided; this situation was corrected in October 2008.

Financial Statements

The IVH found a formula calculation in the year-to-date column which was incorrect. IVH corrected the calculation and reproduced the Trust Financial Statements. The monthly Trust Financial Statements for July, August, September, and October 2008 are in balance and the numbers are consistent.

Cash on Hand

The Cash on Hand in the Trust Department was reduced from \$25,000 to \$5,000 on December 23, 2008.

Internal Controls over Disbursements

The IVH is in the process of adopting new policies, procedures, and standard operating procedures regarding the disposition of inactive accounts. This will be completed by June 30, 2009.

RECREATION FUND

Restricted Funds

The IVH transferred \$30,000 of Bowling Funds from the Recreation Fund to Donated Funds, 6000 132100, on October 7, 2008. The Bowling Funds are earmarked in the Donated Fund Center's accounting system.

The IVH will evaluate the entire Recreation Fund's accounting system and develop policies, procedures, and policies to adhere to internal controls. This will be completed by June 30, 2009.

DONATED FUNDS ACCOUNT

Checks Deposited with the Treasure of State

The IVH will evaluate the entire Donated Funds accounting system and develop policies, procedures, and policies to adhere to internal controls. This will be completed by June 30, 2009.

Internal Controls over Opening Mail

The IVH will evaluate the entire Donated Funds accounting system and develop policies, procedures, and policies to adhere to internal controls.

Donated Funds Policy

The IVH transferred \$30,000 of Bowling Funds from the Recreation Fund to Donated Funds, 6000 132100, on October 7, 2008. The Bowling Funds are earmarked in the Donated Fund Center's accounting system.

The IVH will evaluate the entire Donated Funds accounting system and develop policies, procedures, and policies to adhere to internal controls. This will be completed by June 30, 2009.

SPECIAL DISBURSMENT OFFICER (SDO)

Untimely Advance Reconciliations

The IVH has started reconciling these accounts in a timely manner and will continue to improve upon the reconciliation. The Accountant 3 at the facility will begin reconciling the SDO accounts. The Controller will approve all reconciliations.

SDO accounts #4672 (Preventative Maintenance) and #5292 (Donated Funds) were approved to be closed on December 23, 2008. These two accounts were closed on January 2, 2009.

The IVH will adopt the Reconciliation form format found on pages 7.25 & 7.26 in the Accounting Manual.

Improper Reconciliations

The IVH has started reconciling these accounts in a timely manner and will continue to improve upon the reconciliation. The Accountant 3 at the facility will begin reconciling the SDO accounts. The Controller will approve all reconciliations.

The IVH will investigate the amounts mentioned in the Review Comments.

Overage

The \$169.15 will be transferred from Comfort and Welfare SDO to the Operating Fund's Miscellaneous Revenue accounts in January 2009.

Reconciliation Approvals

The IVH has started reconciling these accounts in a timely manner and will continue to improve upon the reconciliation. The Accountant 3 at the facility has been assigned to reconcile the SDO accounts starting in January 2009. The Controller will approve all reconciliations.

Amounts Advanced

The Preventative Maintenance and Donated Funds Special Disbursing Officer Funds were closed on January 2, 2009. The IVH received approval to close these two SDO accounts on December 23, 2008.

BOND COVERAGE

The IVH has contacted a bond company to provide bond coverage for the Superintendent per Indiana Code 10-17-9-18. Bond coverage will be in effect by February 2, 2009.

RESTRICTIVE ENDORSEMENT

The IVH will evaluate the entire Recreation and Donated Funds accounting system and develop policies, procedures, and policies to adhere to internal controls. The IVH will begin endorsing checks immediately (both departments were provided stamps on December 29, 2008.)

UNIDENTIFIED CASH FUND

The \$3,000 (Buyers Petty Cash) will be recorded in the Receptions Fund at the IVH. effective January 2009.

SUPPLEMENTATION OF APPROPRIATIONS

The former practice will not continue. The IVH will follow the Compliance Guidelines Manual for State and Quasi Agencies, Chapter 3.

DAILY DEPOSITS

The IVH will be developing new policies and procedures to eliminate untimely deposits.

MEAL TICKET REMITTANCES

The IVH closed the Meal Ticket account on January 2, 2009. The money was transferred to Miscellaneous Revenue.

Starting in October 2008, the IVH started to deposit Meal Ticket money into the Miscellaneous Revenue account.

TIME CARDS

This procedure will be modified immediately.

FIXED ASSET INVENTORY

The Assistant Superintendent and Procurement Agent are in the process of establishing a Fixed Asset Inventory System. This system will be updated by June 30, 2009.

Jerome H. Horn, CPA, HFA
709 Rainbow Circle
Kokomo, IN 46902
(765) 450-5921

January 9, 2009

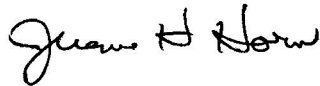
State Board of Accounts
302 W. Washington Street
4th Floor, Room E418
Indianapolis, IN 46204-2765
Attn: Michael Daniely

Michael,

Please accept the enclosed comments as an official response from me as the former Superintendent of the Indiana Veterans' Home. The comments regarding the Bond Coverage are my own. All of the remaining comments were prepared for me by my former Controller, Stacey Johnson and are appropriately noted.

Thank you for the opportunity to provide comments on the report.

Sincerely,

A handwritten signature in black ink that reads "Jerome H. Horn". The signature is written in a cursive style with a large, stylized "J" and "H".

Jerome H. Horn, CPA, HFA
Former Superintendent of the Indiana Veterans' Home

**INDIANA VETERANS' HOME
RESPONSE TO SBOA REVIEW COMMENTS**

BOND COVERAGE

Indiana Code 10-17-9-18 does have the following provision.

Sec. 18. (a) The superintendent shall furnish an individual public official bond in an amount determined by the director, payable to the state and conditioned upon the faithful performance of the superintendent's duties.

As section (a) provides, it is the responsibility of the Director of the Agency to determine the amount, if any, of the Bond. During the period of time that the Indiana Veterans' Home was under the Indiana State Department of Health, the bond was not required. If the new agency director established a requirement that differed from the previous, it was not communicated to the Superintendent.

**(NOTE: THE FOLLOWING COMMENTS WERE PREPARED BY THE
FORMER CONTROLLER OF THE INDIANA VETERANS' HOME)**

COMFORT AND WELFARE FUND

No Authority for Escrow Account - The Trust Escrow account is a pass through account. The escrow account is where all residents' income sources are deposited (mostly via direct deposit). All of these funds are then transferred either into the Residents' Trust accounts for their monthly spending allowance or to the Comfort & Welfare account for home charges within the same month that the deposits are received.

These funds are included as part of the Comfort & Welfare Auditor account once the funds are deposited into this fund/center via a Report of Collection. The portion of the Escrow account that is transferred into the residents' Trust accounts is then reported on the Trust Fund Monthly Report and reported annually for the State CAFR.

It is of my opinion that the funds, while temporarily held in the Escrow account, cannot be reported and included in the Trust Fund Monthly Report as the majority of the Escrow funds are home charges therefore facility funds. Commingling facility funds with resident funds would be a direct violation of Indiana Code in addition to Federal VA regulation.

It is important to note that the Escrow account has existed and has been utilized for this same purpose for approximately the past 20 years. The IVH is typically audited by the State Board of Accounts (SBOA) every three years with the Trust and Escrow account being fully reviewed with every audit. Until this audit, the SBOA have never raised any concerns of the Escrow account or it's authority.

Because this account had been audited numerous times in years past without concern, IVH staff members were unaware that there was not proper authorization for this account.

Furthermore, it is the recollection of a staff member that has worked in the Trust Department for many years that the original creation of the Trust Escrow account was at the direction of the State Board of Accounts as a result from a State Board of Accounts audit citation. I cannot report to the accuracy of this information but it is believed that this audit occurred and the Escrow account was created in the late 80's.

The best resolution to this SBOA audit deficiency is to address this issue during the next legislative session to request the authority for the IVH Escrow account in addition the IVH Trust Account. If the Escrow account was authorized via State Code, then the Escrow account would be reported separately from the Trust Fund and also reported annually for the State CAFR.

Escrow Interest Income – All interest earned on the Escrow account has historically been deposited into the IVH Recreation Fund since the creation of the Escrow account in the late 80's. Again, because this transfer of interest has been audited numerous times by the SBOA within the past 20 years without any concern, IVH staff members were unaware that the transfer of interest was to an incorrect (or unallowable) account.

Disposition of Inactive Resident Accounts – Historically, IVH applied any Trust fund balances of discharged or deceased residents towards the debt due to the facility and any remaining funds (if available) to the discharged resident or to the deceased residents' Estate which ensured the balances were dissolved within the 30 day State Code requirement. This procedure was reviewed by the Veterans' Administration during a 2006 VA survey and the VA identified that the IVH could no longer take available Trust funds and automatically apply them towards the IVH debt without an estate being opened and a court order granting these funds to the IVH.

Due to the IVH being a State facility, all legal actions must be performed by the Indiana State Attorney General's office. The AG's office was notified and provided a copy of the VA deficiency report addressing this issue immediately upon receiving the report in 2006. Since this period, the IVH has had no choice but to hold the trust funds until the AG's office came up with a solution and acquired the proper court documents and authorization to apply any trust funds to the debt owed to IVH. In addition to this, the IVH must also receive permission from the AG's office to write off any uncollected Accounts Receivables.

The IVH and ISDH have had numerous and continual contact with the AG's office trying to received a resolution to this problem with no success or resolution from the AG's office. There were many different attempts to resolve this issue

with many different procedure changes; however none of the AG office's directions resulted in a final disposition of any accounts. In June, 2008 the IDVA was made aware of this issue and lack of attention from the AG's office. In July the IVH/IDVA received a newly appointed contact at the AG's office to assist us in resolving these issues. I am unsure of any progress made after my departure.

This is an issue that the IVH staff was aware of; however, it is completely out of the hands of the IVH staff members.

Building Fund Revenue – At close of fiscal year the IVH is required to transfer 20% of the VA Per Diem revenue received to the IVH Building Fund and also required to transfer an approximate 11 million dollars from the C&W fund to the State General Fund.

It was agreed upon by the IVH and State Budget Agency (SBA) that the IVH would prepare and submit these funds transfers at close of FY via a Journal Voucher (JV). The JV's were prepared by the IVH and submitted to the Auditor's Office for processing in June, 2008. However, the day after these JV's were mailed to the Auditor's office, the SBA submitted a budget transfer request for the 11 million transfer to the State General Fund.

Due to this misunderstanding, after both JV's (IVHs and SBAs) were processed for the State General Fund reimbursement, the funds were not available for the Building Fund transfer resulting in the AOS returning the prepared JV to the IVH for insufficient funds. This issue was discussed with the Budget Analyst at the SBA and was agreed that the budget transfer request submitted by the SBA would be reversed to allow all IVH prepared JV's to be resubmitted and processed by the Auditor's office.

Upon my departure, I sent a final email to the Budget Analyst to ensure the budget transfer was going to be reversed. If the JV to transfer 20% of the VA Per Diem revenue to the IVH Building fund was not ever resubmitted (as it appears it was not), the funds should still be available in the C&W account and this transfer does need to be made.

Untimely Transfer of Comfort and Welfare Receipts – At times there were delays in preparing the Report of Collection, review and approval and/or submitting them to the Auditor's office. These delays are due to insufficient staffing in the business office.

In July, 2004 the IVH Business Office positions and duties were reviewed and reorganized by the Indiana State Personnel Department. At the time of review the Accounting staff consisted of one Business Administrator, one Account Clerk 3, two Account Clerk 4's and a contracted consultant for the Business Office functions. The State Personnel Department determined that the existing positions needed upgrading as well as the addition of an Accountant 3 to ensure proper

functions of the IVH Business Office, resulting in five IVH staff members for the Accounting functions. For the past year and a half, the IVH business office through change in staffing and denial to fill vacant positions, are now performing the accounting functions with only three staff members (one Controller and two Account Clerk 3's). The reduction of the two additional staff member did result in some tasks not being performed in a timely manner.

TRUST FUND

Interest Allocations - Per State Code, interest earned on Resident trust accounts is to be transferred to the Recreation fund. This procedure had been followed historically. In 2007, the IVH staff did identify that there was a change in Federal regulation effective February, 2000 that required trust fund interest to be applied to the residents which would supersede the State Code. The IVH did calculate the amount of interest owed to all residents for the seven year period and wrote a new policy and procedure for applying interest on a monthly basis to the residents' accounts.

In October, 2007 the current residents accounts were credited with the past due interest. The IVH was unable to apply the interest due to deceased residents without guidance from the Indiana Attorney Generals Office. Upon my departure it was still being determined by the AG's office on how these funds would be applied to deceased residents (i.e., funds sent to unclaimed property, or IVH prove the residents have a debt and obtain court approval for IVH to transfer the funds to C&W, etc.) Until the AG's office gives the IVH a final decision and procedure, the funds must remain in the Recreation Savings account.

Outstanding Checks – Trust fund checks are considered stale dated or abandoned after one year of date of issuance, however the Unclaimed Property Report listing stale dated checks is to be prepared and submitted only annually in October to the State Attorney Generals Office. Since this report is an annual report to the AG's office, it is possible, however unavoidable, to have checks outstanding up to 23 months.

Example: Check is issued in December, 2007 and considered stale dated in December, 2008. Since the annual Unclaimed Property Report was completed in October, 2008 this check is not allowed to be included on this report as it is not yet one year outstanding and cannot be reported until the October, 2009 report.

Financial Statements – The June, 2008 statements were not complete and available for my review before my departure in early July. It sounds as though the account was reconciled for the month; however the account clerk just forgot to add the current month's receipts or distributions to the YTD column.

Cash on Hand - It was discussed during the SBOA 2007 summer review that the IVH would review the possibility of reducing the \$25,000 Trust Fund cash on

hand. Since that review, the IVH has increased census and continues to increase census for a goal of 300 residents. Due to the increasing census it is recommended that the \$25,000 cash on hand remains to reduce the number of trips that would be required to replenish the cash on hand funds. Fewer trips to replenish the cash on hand is not only less burdensome but safer for the IVH trust staff.

Per 38 CFR 51.70 and State Code “the facility management must deposit any residents’ personal funds in excess of \$100 in an interest bearing account...”. The IVH’s current cash on hand is in compliance with all laws as long as the census does not drop below 250 residents.

Also, the Trust cash on hand is secured by a keyed lock with access limited to the Trust Department staff only, a motion censored alarm system with the cash locked into a second storage room within a large safe.

I would consider this comment to be a recommendation, not an audit violation.

Internal Controls over Disbursements - No dates mentioned, so unsure if this occurred during my review, however, the IVH trust staff always strive to ensure that resident accounts do not go negative and attempt to correct immediately if a mistake occurs.

RECREATION FUND

Restricted Funds – All funds received for bowling should be deposited and maintained in the Donated Funds account not the Recreation account. I am unclear on their comments concerning an estimated \$30,000. ???

All income received in the recreation fund is recorded in a specific revenue account depending on purpose. The Profit and Loss statement is prepared monthly identifying all specific income accounts as well as specific expenses for the month and YTD to identify if the funds have been properly spent.

The Recreation Fund savings account is listed and accounted for as an asset on the Recreation Fund financial statements however, it is just not listed as restricted.

DONATED FUNDS ACCOUNT

Checks deposited with the Treasure of State - At times there were delays in preparing the Report of Collection, review and approval and/or submitting them to the Auditor’s office. These delays are due to insufficient staffing in the business office.

The IVH has historically for at least the past 10 years deposited cash into the local depository and mailed checks to the TOS with the Report of Collection. In past

SBOA audits, mailing the checks has not ever been a concern, therefore, IVH staff members were unaware this was an issue.

If mailing checks is not appropriate, then the SBOA should have also noted that Comfort & Welfare checks, Medicare B checks, etc should also all be deposited into a local depository account instead of mailing them to the TOS.

Internal Controls over Opening Mail – IVH has always only had one mailroom clerk that opens the mail or one business office employee that opens the business mail.

Donated Funds Policy – All bowling donations should indeed be maintained in the Donated account. Below are comments I had made in July, 2008 in response to the SBOA summer review.

A complete accounting was performed for all bowling donations by the IVH and the Greater Lafayette Area Bowling Association. A letter was distributed to the bowling associations stating the reconciled total of these funds in addition to the intended use of these funds by the IVH Superintendent. These funds still remain in two locations. Some funds are held in the Auditor's Donated fund/center and are clearly identified as bowling funds within the IVH sub-ledger and some funds remain in the Recreation Savings account. During the reconciliation it was clearly identified how much funds were marked as bowling funds in this savings account. The funds were left in the Recreation Savings account to allow for the funds to continue earning interest. Since IVH has experienced many changes in staff (Superintendent and soon Controller) in addition to the governing agency, it is my recommendation and I have left instruction for the staff to deposit the bowling funds held in the Recreation Savings account into the IVH Donated fund/center under the bowling sub-ledger to ensure all bowling funds are held in one location and clearly marked as such to avoid the possibility of future confusion with these funds again.

I had left the instructions and the amount to transfer with Vicki. She may not have had time to have the BO staff make the transfer.

SPECIAL DISBURSEMENT OFFICER (SDO)

Untimely Advance Reconciliations – SDO Reconciliation were performed by the Account Clerk 2 and did fall behind after her resignation and the position remaining vacant. Adding to this staff burden was the implementation of PeopleSoft full financials making SDO reconciliations in the PeopleSoft system very difficult and resulting in many problems trying to get the accounts reconciled. The SDO reconciliation process would greatly improve once the AOS implemented PeopleSoft of which was originally to occur a year ago. Until the AOS implements PeopleSoft, SDO reconciliations may be difficult in the future.

Improper Reconciliations – Upon my departure the Operating account was reconciled, however, the Business office staff was still working on the Comfort & Welfare reconciliation. I am unsure how or when the June, 2008 reconciliation was complete.

Overage – I had made many requests to Steve Loy of Chase Bank to make the Comfort & Welfare account a non-interest bearing account. Interest earned does need to be deposited to the General Fund via a Report of Collection.

Reconciliation Approvals – SDO reconciliations were reviewed, however I am not aware of the need to formally document the review. Generally I would just initial the front reconciliation page in lower right corner.

Amounts Advanced – This is correct. The Preventative Maintenance and Donated Funds SDO advances were not turned over or reimbursed for several months at a time (simply meaning, were not used).

Historically, a claim voucher could only be submitted to the Auditor's office for payment if it exceeded \$500. Any payment amount under \$500 was to be paid by the facility with a check issued from their SDO account and then reimbursement by the Auditor's office. Once PeopleSoft financials began implementing, the Auditor's office changed their procedures allowing the AOS to issue a warrant regardless of dollar amount. It is much easier and requires a lot less paperwork now with PeopleSoft to prepare a claim voucher for the AOS to process then to issue SDO payments and reimbursements. Due to these changes, many SDO accounts are not being utilized statewide and recently the AOS requested each agency to review the necessity for their SDO accounts.

I had reviewed and discussed the option to close the preventative maintenance and donated SDO accounts with the AOS and with Gloria Graham, OMB. At that time resident therapy incentive payments were being paid from the Comfort & Welfare SDO account, therefore, that SDO account could not be closed and the Operating SDO was still needed to pay the West Lafayette Wastewater bill monthly to avoid expensive late payment penalties if processed by the AOS via claim voucher. Upon my departure, closing the PM and Donated SDO accounts was being discussed however, I did not get time to close them.

RESTRICTIVE ENDORSEMENTS

This is correct and needs corrective action. Generally the mail is opened by an employee in the Business Office and then distributed to the appropriated recipient. Checks are given to the Account Clerk and may be endorse stamped at that time if preparing the deposit immediately or the checks may be locked in the safe and endorse stamped once removed from the safe to prepare the deposit.

UNIDENTIFIED CASH FUND

The funds referred to are the Buyers funds and have been in existence and audited by the SBOA for more than 20 years. The funds are not accounted for through any of the IVH funds, however the \$3,000 is reconciled and a reconciliation report prepared and submitted to the IVH business office weekly with monthly witnessed audits. It is correct that the exact origin is unknown as the funds existed prior to any of the IVH staff. Because these funds have been reviewed by the SBOA during previous audits without concern, the IVH staff members were unaware of the need for authority.

SUPPLEMENTATION OF APPROPRIATIONS

I am very aware of this requirement and am careful not to violate this rule as it has been an SBOA audit comment in the past prior to my oversight. Generally this error would occur within the first month of the new fiscal year. Without the mention of dates, I would assume it occurred in July after my departure.

DAILY DEPOSITS

Generally deposits are made to the bank on a daily basis. In the event of the Account Clerk being on vacation, calling in sick, etc. the deposit would be placed into the Business Office safe. With only three employees performing the Accounting functions in the Business Office, it is very difficult when employees are absent to make the bank run every day. Again, staff shortage.

MEAL TICKET REMITTANCES

The Meal Ticket receipts should officially be reported to the TOS on a Report of Collections monthly, however, with staff shortages, the reconciliations were performed in a timely manner; however the checks were not issued and submitted for deposit monthly.

TIME CARDS

This portion of the audit was performed with the HR department and has nothing to do with the Business Office.

FIXED ASSET INVENTORY

I can not make any comments to this as Mari received the AOS fixed asset list, reported quarterly any changes to the AOS and maintained the IVH fixed asset list. I am unsure what the mistake could have been unless Maintenance retired some vehicles and failed to notify the Business Office.

This issue was addressed in the past two SBOA reports. The facility did have a physical inventory system that was whipped clean upon termination of a previous Business Office employee in 2004. To correct this issued, in 2008 the IVH contracted with an outside organization to perform a complete fixed asset inventory. This inventory was complete and the fixed assets are now being maintained by IVH.

Prepared by Stacey Johnson, January 8, 2009

Mitchell E. Daniels, Jr.
Governor

Judith A. Monroe, M.D.
State Health Commissioner

Indiana State
Department of Health
An Equal Opportunity Employer

January 13, 2009

Patti Serbus, CPA
Field Examiner
State Board of Accounts
302 West Washington Street Room E418
Indianapolis, IN 46204

Dear Ms. Serbus:

The Indiana State Department of Health would like to thank you and your team for the review of the Indiana Veterans' Home for the period of July 1, 2006 to July 31, 2008. We believe the Indiana Veterans' Home operations will be further improved as a result of the findings and recommendations provided by your inspection team members.

Due to the transfer of responsibility for the Indiana Veteran's Home from the Indiana State Department of Health to the Indiana Department of Veterans' Affairs in accordance with IC 10-17-9, effective July 1 2008, the Indiana State Department of Health ceased daily oversight and operational involvement with the Indiana Veterans' Home. Therefore, the Indiana State Department of Health defers specific responses or corrective actions based on your July 1, 2006 to July 31, 2008 review to the Indiana Department of Veterans' Affairs.

Please consider this letter the Indiana State Department of Health's official response to your report comments. Joseph Fox at jfox@isdh.in.gov can be contacted with any questions regarding this response.

Sincerely,



JUDITH A. MONROE, M.D.
STATE HEALTH COMMISSIONER